A.M.S.

Marketing Activities

Issued Monthly by

AGRICULTURAL
MARKETING
SERVICE

U. S. DEPARTMENT OF AGRICULTURE

Vol. 4 No. 4
April 1941

-IN THIS ISSUE-

Mr. Evans, Administrator of the Agricultural Adjustment Administration, has watched wheat supplies in this country grow into an unwieldy surplus as exports have dwindled away. In this article he shows how the wheat marketing quota can ease the situation.

Inelastic costs of distribution are partially to blame for maladjustments in the marketing of fresh vegetables, in the opinion of Mr. Sabin, Agricultural Marketing Service statistician. His proposal is aimed at giving the producer a bigger slice of the consumer's dollar.

Mr. Davis, who heads up the market news work on dairy and poultry products for the Agricultural Marketing Service, answers his own question in this article. He thinks market reports based on f.o.b. prices are worthy of more consideration, and backs up his contention with a convincing argument.

"Mike" Rowell, radio specialist for the Agricultural Marketing Service, would like to see most all of the 839 stations in the United States broadcast farmer or consumer market reports. In view of the steady year-to-year gain shown by the annual surveys, that isn't so far-fetched as it sounds. In 1941 the stations broadcasting market reports totaled--well, read Mike's article.

WHEAT AND THE MARKETING QUOTA

By R. M. Evans

The AB Oil Company, after extensive geologic research, drills a well in East Texas and brings in a gusher. Tanks are built to take care of the heavy flow, but the storage and refinery facilities of the company are soon overtaxed. To avoid waste, arrangements are made with the CD Petroleum Corporation to handle the surplus. This scheme works very well until a disastrous fire forces the CD Corporation to reduce its outside purchases to a bare minimum. Since other companies in the vicinity have enough oil of their own to handle, the AB Oil Company is faced with two alternatives: It can either keep on building more and more tanks or it can reduce the flow of the well.

It is a far cry from oil to wheat, nevertheless wheat farmers in the United States are in about the same predicament as the hypothetical AB Oil Company. To cite a few figures, domestic consumption of wheat during the current marketing season, July 1, 1940, to July 1, 1941, is estimated at about 685 million bushels. If exports and shipments work out as expected at about 33 million bushels, wheat farmers will have an outlet for 718 million bushels. That's a lot of wheat.

It isn't so much, however, when compared with supplies and prospective supplies. For the current marketing season, total supplies are estimated at 1,099 million bushels, calculated by adding the carry-over of 282 million bushels on July 1, 1940, to the 1940 crop of 817 million bushels. If domestic consumption and exports run true to form, the carry-over on July 1, 1941, will be about 381 million bushels. A large part of this carry-over probably will be held by the Commodity Credit Corporation, which, like the oil company, has been providing more and more figurative storage tanks for the surplus production.

Wheat and Still More Wheat

The gusher keeps on producing, however. The 1941 winter wheat crop is estimated at about 633 million bushels, and the spring wheat crop is placed tentatively at about 180 million bushels on the basis of average yields on prospective plantings. If this new production of 813 million bushels is added to the carry-over of 381 million bushels on July 1, 1941, the domestic wheat supply in 1941-42 will total 1,194 million bushels -- enough to supply this country with bread for more than 2 years.

There is no getting around it; this huge supply will be difficult for the United States to handle. Like the AB Oil Company, this country formerly disposed of its surplus elsewhere, most of the excess production going to Europe. But Europe, like the CD Petroleum Corporation, is having a disastrous fire and not much wheat, compared with earlier years, will be exported during the 1941-42 marketing season. Thus, the United States must soon decide whether it is going to continue to produce above normal requirements or whether it is going to reduce production.

The Agricultural Adjustment Act of 1938, which provides that a marketing quota shall be proclaimed whenever the total supply exceeds a normal year's domestic consumption and exports by 35 percent, is expected to play a large part in the decision. There is little doubt that prospective supplies for the next year will exceed domestic and export requirements. For example, if domestic and export requirements account for as much as 735 million bushels in 1941-42, the total supply will still exceed this quantity by over 60 percent.

Thus, in accordance with the law, a marketing quota will be proclaimed some time before May 15. Later, on May 31, the votes of eligible farmers will determine whether the quota will remain in effect. A farmer is eligible to vote in the referendum if he is subject to the quota; in general, that means the commercial wheat producer.

If more than one-third of the farmers voting in the referendum oppose the quota, no quota shall be in effect and no loans can be made on wheat during the marketing year beginning July 1, 1941. This provision is based on a sound business principle: Loans on an uncontrolled surplus are an unwarranted risk of public funds.

A great many questions are always aroused by a new program and producers are undoubtedly wondering how much wheat they will be permitted to market. Only wheat produced on acreage in excess of the acreage allotment is affected. In other words, if quotas are approved, farmers may sell without penalty all they produce on their acreage allotments. Farmers who overseed will have to pay a penalty on the excess wheat or store it under seal. They may put their excess wheat under loan at 60 percent of the full rate.

The responsibility of adjusting acreage to the limited market is divided more equally among all farmers. Quotas will permit the noncooperator to market wheat on the same basis as the cooperator.

The Quota and Prices

Now, what will be the effect on wheat prices if the quota is rejected? First, through the operation of the Agricultural Adjustment Act of 1938, no loans can be made on the current crop. This means that if American producers turn down the quota on May 31 their wheat must compete on an even footing in the world market. And the world market is in the doldrums because of the large world carry-over.

The amount that current prices are now above export price levels is indicated by the export indemnity that would be required to export wheat to Europe. Computed on the basis of export values, this would be about 25 cents from Gulf ports and 21 cents from Pacific ports. In other words, with the program support withdrawn, as would be the case if the quota were rejected, wheat prices to the producer would drop even lower than 25 cents, depending on the producer's distance from port.

What is the situation now? Wheat prices received by producers averaged almost 72 cents a bushel on March 15 -- relatively high when compared with prices received by farmers in other surplus-producing countries. Whether this favorable relationship continues depends a whole lot on the way producers vote on the quota May 31. American farmers are good business men and they will make their decision on business principles.

--- 0 ---

FOOD-CONSUMING HABITS SURVEYED BY DEPARTMENT

Total per capita consumption of food products has remained fairly stable in the United States during the last 30 years. That is the conclusion of a special report issued in March by the Bureau of Agricultural Economics, "Consumption of Agricultural Products." The report shows how there have been some important shifts as between beef and pork, from butter to other fats, and from fresh fruits to canned and dried fruits. But these shifts have had little effect on the total, which, over a 30-year period, has averaged a little over 1,800 pounds of food per person annually.

Today, the report indicates, we eat less wheat and other cereals per capita, fewer potatoes and apples, less beef and veal, and drink less tea than we did in 1909. We consume more vegetables, citrus fruits, sugar, poultry and eggs, fluid milk and manufactured dairy products, edible fats and oils other than lard and butter, cocoa and chocolate, and coffee. The consumption of lamb and mutton, pork and lard, butter, and sweetpotatoes has varied but the general level has not changed.

Reasons for these changes are not entirely clear, the report states. Some changes have occurred in the content of the population, and the ratio of city to rural population has increased. Some of the changes have taken place because of a greater variety of foods than were available 30 years ago. For example, the decline in apple consumption probably came as a result of the development of large-scale production of many other fruits. The development of transportation and refrigeration have no doubt had a great influence on the rise in consumption of fresh fruits and vegetables.

Changes in mode of living probably affect consumption trends, too. Central heating and heated transportation have come into common use. A larger proportion of people live in cities where central heating in houses and heated vehicles are more usual than in country districts. Working conditions have been improved, and machine work has increased so that urban and rural workers perform less hard physical labor than in earlier years. As life has become easier, people have tended to consume fewer heat-producing and energy-producing foods and have shifted more to fresh fruits and vegetables.

COTTON MILL REQUIREMENTS ANALYZED IN SPECIAL REPORT

A recent report of the Agricultural Marketing Service, based on a survey made during the 1938-39 cotton marketing season, shows the quality requirements and preferences of cotton mills representing 75 percent of the active spindles in this country. John W. Wright and Fred Taylor, cotton specialists, are authors of the report--"Mill Requirements in Relation to Cotton-Quality Improvement."

Although cotton consumed by domestic mills includes a wide range in staple lengths, the report shows that about 88 percent of the consumption of American-grown cotton is within the range of 7/8 inch to 1-3/32 inches. About 11 percent is 1-1/8 inches and longer and less than 1 percent is shorter than 7/8 inch.

Most American Cotton Meets Domestic Requirements

With the exception of cotton 1-1/8 inches and longer in staple and the very short cotton now obtained from the Orient, there are ample quantities of all staple lengths available in the American crop to meet the requirements of the domestic cotton-textile industry.

Trends in available supplies of cotton of the various staple lengths are reflected in market price differentials for such staple lengths. Discounts for 13/16-inch and 7/8-inch cotton have tended to narrow in view of reduced supplies of cotton of these staple lengths. Premiums for 1-inch and 1-1/16-inch cotton have declined as supplies of cotton of these staple lengths have increased. Premiums for cotton 1-1/8 inches and longer have fluctuated within normal ranges.

The staple length used for a given product depends primarily upon the yarn count, the strength, and other specifications desired in the year. Short staples customarily are used for the coarse yarns and fabrics and the longer staples for the finer goods.

The sources of cotton used by individual mills are tending to become more localized as cotton production tends to become standardized by varieties in the various producing areas, the report shows.

The survey was made, the report explains, because "the development of a sound program of cotton-quality improvement and marketing must be based upon adequate factual information with respect to market outlets for the cotton and the requirements and preferences of those who are to use it. Otherwise, maladjustments between qualities of cotton available and qualities most suitable for the manufacture of specific types of products are likely to develop. In deciding what variety of cotton to plant, farmers need to know the kind of cotton that mills want to buy because mill preference is a very definite price factor in the case of any particular quality of cotton."

A PROPOSAL TO ELIMINATE THE MARKETING PARADOX

. . . . . By A. R. Sabin

The paradox of scarcity in the midst of plenty is familiar, both to those who have and to those who have not. All too frequently are more food products grown in a given area than can be marketed profitably by producers. At the same time many of these commodities--particularly vegetables--could and would be used if they were made available to consumers. Thus, the national sums of local surpluses and deficits measure the extent to which the marketing system has failed to function properly.

The matter of surpluses can be illustrated by considering the quantities of 15 commercial truck crops that were not marketed during the past 3 years because of low prices. The volume that never reached market in 1940 would have supplied the 13 million persons in the Greater New York Area with these products for 32 days. Enough was unmarketed in 1939 to supply the area for 36 days. And in 1938, the quantity not marketed would have supplied this great consuming center for 90 days. In addition, large quantities of the vegetables that were marketed brought ruinously low prices to the farmer.

This does not mean that every person in the United States had an adequate proportion of vegetables in his daily diet. The 1940 Yearbook of Agriculture points out that the average consumption of leafy, green, and yellow vegetables would be doubled if all families in this country obtained a "good" diet from the standpoint of nutrition. And this estimate is not a maximum, because many freely chosen "good" diets do not include nearly as much of the protective foods as many nutritionists believe they should include.

Waste is a Cost to the Producer

The quantities that are not marketed--and which consumers need so sorely--cost the farmer as much per unit to produce as the commodities he sells. In other words, quantities unsold do not add to the income of the farmer but they cost him as much per pound or per bushel to raise as the products that are sold. Consequently, products that are sold must return to the farmer the full cost of production and distribution if he is to stay on the black side of the ledger. Transportation agencies and distributors also are interested in waste of this kind because they receive no income from crops that fail to reach the market.

A large part of this maladjustment in the marketing of vegetables can be traced to the manner in which the consumer's dollar is divided, in the opinion of the writer. For example, if the retailer takes 32 cents, the wholesaler 10 cents, and transportation agencies 14 cents, 44 cents are left for the producer. These proportions are based on a study by the Bureau of Agricultural Economics in 1936.

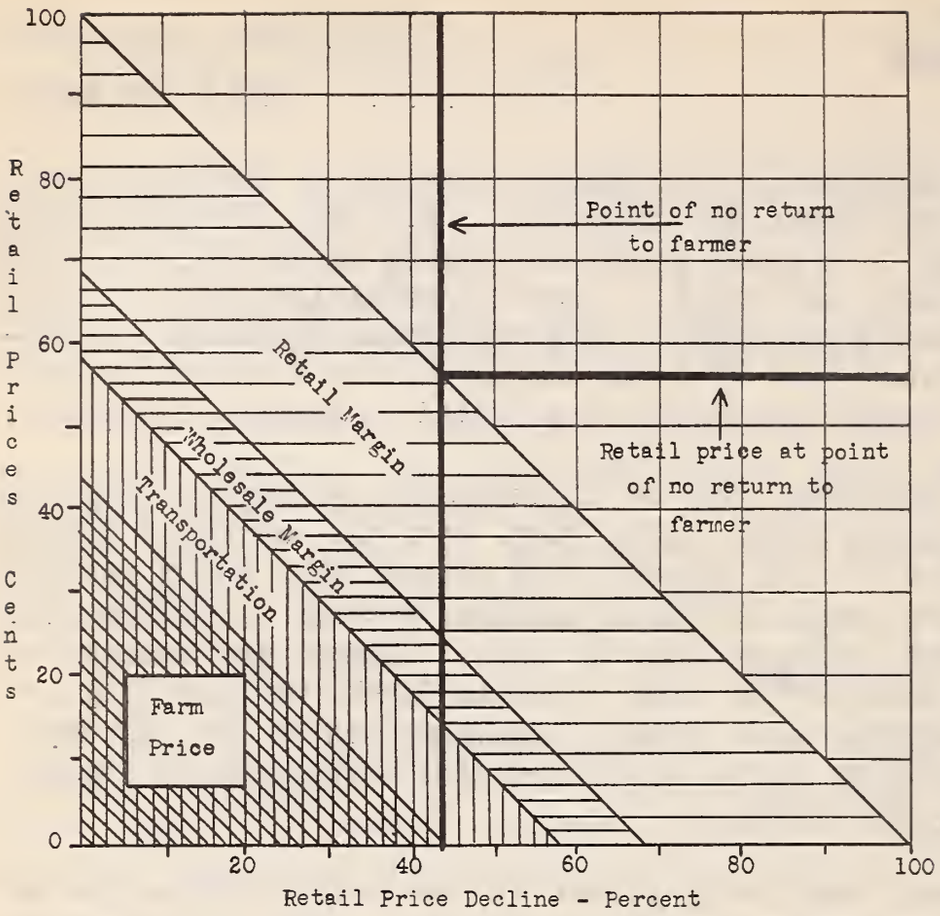
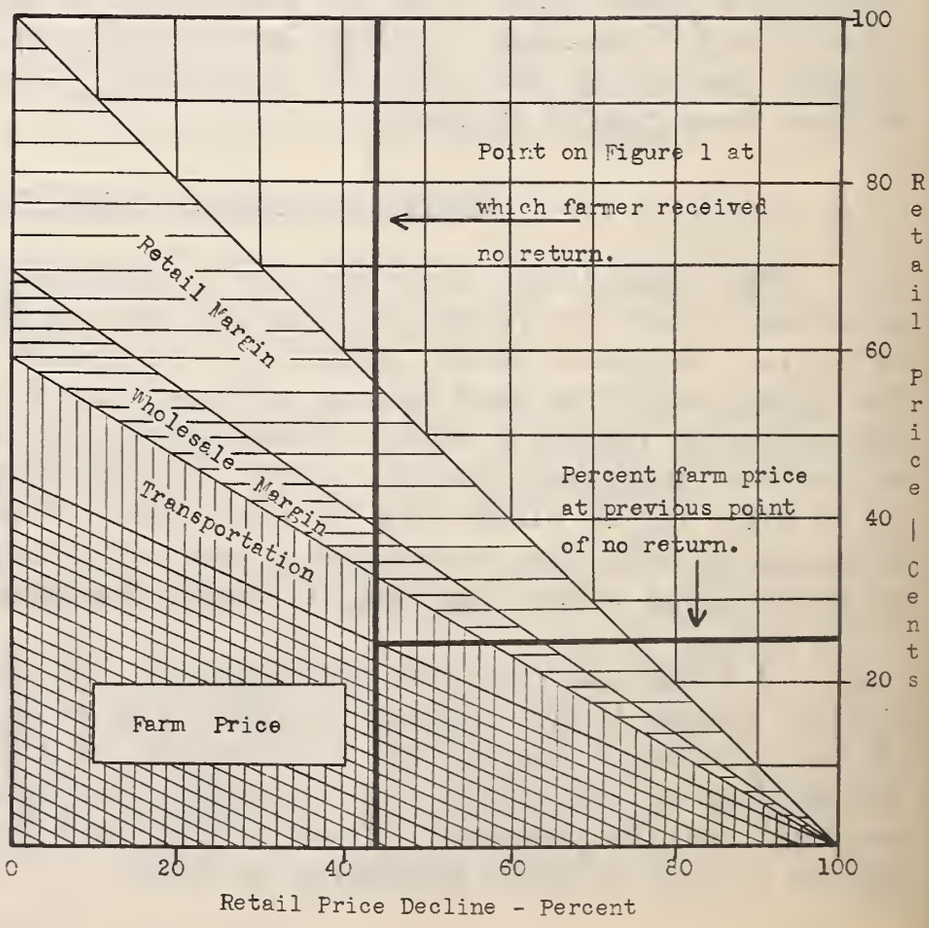


FIGURE 1

Marketing costs are relatively inflexible. In this case, if retail prices decline 44 cents, the producer receives nothing

FIGURE 2

If marketing costs are elastic, a retail price decline of 44 cents would still give the farmer 25 cents



The farmer's share, however, is neither a fixed amount nor a fixed percentage. He takes what is left after the marketing costs, which tend to be fixed or "inelastic," are paid. When increased supplies bring about a falling market, a decline in the price paid by the consumer is reflected largely by the same absolute decline in the price received by the producer. Thus, a 44-cent decline in the retail price would result in a 44-cent decline in the farm price. This would leave the farmer nothing, but the consumer would still have a theoretical price of 56 cents to pay. (See Figure 1)

This example merely illustrates tendencies and is somewhat oversimplified. In the case of vegetables, for instance, many large retail grocery organizations have direct contacts in the producing sections. This enables the organization to operate at a smaller cost, which, in turn, means a lower price to consumers and a higher price to producers. Other factors, too, lend some degree of flexibility to marketing costs, though such costs are inelastic when compared with the farmer's share.

A number of methods for remedying this economic unbalance have been placed in operation. With some variations, these methods have followed three general courses. Attempts have been made to increase consumers' incomes, and this includes the Food Stamp Plan. Another approach has aimed at reducing market supplies through such means as production control and diversion programs. And finally, much has been done toward decreasing the spread between farm and retail prices by such means as the lowering of trade barriers, improvement of terminal market facilities, farmers' cooperatives, and grading.

Without minimizing the importance of the work already done toward elimination of the marketing paradox, one promising approach has been largely overlooked, in the writer's opinion. That approach can be stated as follows: Suppose that the <u>percentage</u> rather than the <u>amount</u> of the retail price going to each of the factors of distribution were fixed. The percentage going to the farmer would also be fixed. The obvious character of this proposal immediately raises the suspicion of a serious defect. Be that as it may, the writer offers the proposal for consideration. (See Figure 2)

<u>No Fundamental Change Involved</u>

The proposed plan does not involve any fundamental change in marketing practices. In both retailing and wholesaling, the principle of a percentage mark-up is used in some lines, but generally it cannot be said to be well established. A small per unit profit is neither favorable nor unfavorable except when the volume of turn-over is considered. In years of a short crop, or early in the season for a normal crop, prices are higher than under other circumstances. A fixed percentage profit under such conditions would result in satisfactory profits for both retailer and wholesaler. In years of large crops, or late in the season of normal years, the lower per unit returns should largely be balanced by increased

volume. Operations of the proposal should go far toward reducing violent fluctuations in prices and toward a substantial increase in the farmer's share in years of large crops. At the same time, it should return some income to the farmer, the transportation agency, and the retailer for all of the crop that is produced. Much the same reasoning applies in the case of transportation charges.

Both in the case of retailing margins and the cost of transportation, large differentials now exist between different commodities. The same mark-up is not applied to all commodities on a dealer's shelves -- even if actual differences in cost because of transportation charges, perishability, or other factors, are considered. It appears equally reasonable to apply different mark-ups to the same commodity at different times during the marketing season. It is also reasonable to suppose that transportation rates for farm products could be differentiated throughout the season as well as between commodities at the same time. Why not have excursion rates for lettuce and tomatoes when they move in sufficient quantity to yield a profit? Passenger excursions are common enough.

The proposal could not immediately be placed in operation even if everyone agreed to it. Details of operation, commodities to be included, and the responsibilities of the various parties involved all would have to be worked out. It seems preferable to start on a small scale and work gradually toward a satisfactory arrangement. A voluntary agreement involving a growers' cooperative, or even a few large growers on the one hand and a retail organization or chain system on the other, probably could be worked out. Such an agreement, limited to a few products and to a relatively small area in the beginning, should not be too difficult to arrive at and should provide an excellent test of the proposal.

Progress in agricultural production and marketing doesn't just happen; progress is built on ideas. Thirty years ago somebody had the idea that a uniform system of grading and inspection would simplify the marketing of fruits and vegetables. That idea was condemned in many quarters at the time as absolutely unworkable. Yet, grading and inspection are integral parts of the marketing process today. Mr. Sabin's proposal for eliminating the marketing paradox may be impracticable; at least, it has never been tested. On the other hand, such a scheme opens up a relatively new avenue of thought. Marketing Activities presents the idea purely as the opinion of the writer.---Editor

--- 0 ---

Illinois leads in the production of soybeans with Iowa second.

WHAT IS AHEAD IN REPORTING EGG PRICES?

By L. M. Davis

John Jones operates a large poultry farm about 150 miles from Chicago. He sells a few eggs to motorists who stop at the farm, but most of his production is sold to a shipper over at the county seat. Jones follows the wholesale quotations in the city newspaper -- follows them religiously -- but they bear little resemblance to the prices paid by the local shipper. What Jones would like to have is a report that shows prices paid for the kind of eggs he sells, and it would be of even greater value to him if actual buying prices were reported for his local area. He believes that such a report would help him to check the prices he receives. And it might help him to locate a better market outlet.

Jones finds wholesale market prices a rather unsatisfactory type of information, not because he fails to understand what they mean, but because they apply to a different type of transaction than he is concerned with; because they include certain service charges and margins; and because they are for market grades that are not used in the purchase of his eggs.

Actually, Jones' problem is one that a market news service agency must solve if it is to issue adequate reports on egg markets. With improved transportation and refrigeration facilities, and resultant changes in marketing and merchandising practices, the service agency must decide what type of price report is of the most value to the industry. Can a service be provided that will be of greater use to Farmer Jones than the present service? If so, would such a service meet the needs of other branches of the industry?

A Complex Problem

The problem is complex, for there are several stages in the marketing of eggs at which prices can be reported. And at each stage prices are different. When Jones sells to the shipper at the county seat, he receives a "shipping point price." If he were to ship direct to a wholesaler in the city market, he would be paid a price "f.o.b. terminal market." If his eggs are sold in quantity by the wholesale receiver to a jobber, the sale is at the "wholesale price" -- the price that is most frequently referred to as the "market." Or if they are packed in cartons and sold in small lots to the man who operates the corner grocery, the grocer pays the "jobbing price." Finally, when Mrs. Green drops in at the store on Saturday and buys a single carton of one dozen eggs, she pays the "retail price."

A market news report based on the retail price is obviously of not much use to John Jones so far as his individual marketing operations are concerned. Such a price is four steps removed from the first sale and includes various costs for handling and transportation. Then, too, retail

prices show very sharp differences, depending on brands, type of retail store, location, and merchandising policies of individual retailers. The jobbing price, which is three steps removed from the first sale, is little better from Jones' standpoint. And even though the wholesale price is more usable, he finds that for his immediate purpose it has its weaknesses.

Up to the present time, much of the effort in reporting egg prices has centered in the wholesale price. One reason for this lies in the fact that the wholesale market has been a sort of bottleneck through which the heaviest volume flows. Here the market reporter has been able to gather information quickly and easily, and with a fair degree of accuracy. Wholesale prices, then, have represented a type of information that was more or less readily available from a relatively few reliable sources. Furthermore, wholesale prices have measured price-quality relationships better, perhaps, than any other point in the marketing process under existing practices. This was more particularly true in the days when it was the general custom of shippers to send their products to a wholesale center, and to rely on the wholesaler for distribution of the product.

Direct Marketing Enters the Picture

But regardless of what conditions may have been in the past, the situation is different today than it was 20, 15, or even 10 years ago. One marked change is that "direct marketing" has come into the picture. A considerable volume of business that formerly moved through wholesale markets is now diverted direct to stores, restaurants, and hotels, and thus does not move through the wholesaler's hands. In some instances producers have become organized and cooperative organizations have begun to distribute their eggs through their own market agencies. The most profitable outlets have been sought, as well as the most efficient marketing methods.

As a result of these changes, the volume of business now available as a basis for reporting wholesale market prices is declining. So there is danger that, with a declining volume, wholesale prices may eventually become nothing more than an expression of nominal values. If this is true, why does the industry still cling to wholesale price quotations? The answer belongs to the realm of psychology: Trade practices are built around such quotations and buyers and sellers are reluctant to change. Custom and habit are powerful forces in the market place.

Noting the trend, however, the Agricultural Marketing Service has been studying alternate types of price information that might be developed in the light of changing conditions. The conclusion has been reached that in many markets a report based on prices a little closer to the producer would not only be more useful to that branch of the industry than the wholesale price quotations, but that such information would be of general interest and value. A logical point of approach, from a practical standpoint, seems to be the f.o.b. terminal market price.

One of the principal advantages of f.o.b. terminal market price reports is that such prices represent the value of a shipper's product close to the point where he sells it. Of course, this type of information does not indicate to every producer the exact price he should receive, for transportation costs must be taken into account. Many producers, like John Jones, are not shippers; they sell to local buyers or to hucksters who stop at the farm. Nevertheless, it appears much simpler for producers to interpret f.o.b. terminal market prices than to interpret wholesale, jobbing, or retail prices that include dealers' spreads and transportation costs. Particularly, if a producer receives a flat price for eggs shipped to a market where prices reported are for local wholesale grades, it becomes even more difficult for the producer to interpret them. Matters are simplified somewhat if he sells on the basis of grade.

F.O.B. Prices Not Always Possible

Some eggs that reach the market, for one reason or another, do not lend themselves to use in reporting f.o.b. prices. For example, no f.o.b. price information is available when eggs are handled in a terminal market by a cooperative association that pools returns, or that ships eggs to its own distributing agency on a memorandum billing. The "selling" of goods by an organization to itself can hardly be recognized as a basis for reporting market prices. A somewhat similar situation applies in the case of inter-market movements of eggs between branches of individual concerns. Eggs that are bought at prices and under conditions that apply at shipping points, and not at terminal markets, represent another type of transaction whereby it is impossible to obtain f.o.b. market price information. It is true that the country price plus transportation gives an f.o.b. terminal market price, but technically that is not the price paid f.o.b. terminal market. Goods consigned to a market for sale on a commission basis are also out of the picture, insofar as reporting f.o.b. prices is concerned.

Regardless of the foregoing difficulties, which are typical of reporting any type of market prices, relatively large quantities of products reaching terminal markets are bought at a delivered price. Such transactions afford a workable basis for reporting f.o.b. prices. Furnishing shippers with information as to the value of the eggs they are selling at the point where sold is about as close an approach to measuring price-quality relationships as can be undertaken with the system of marketing being what it is. If the eggs are sold on an official grade basis, that is still better. The Agricultural Marketing Service is already reporting f.o.b. terminal market prices at Boston, Washington, Baltimore, Denver, Seattle, Portland, Oreg., San Francisco, and Los Angeles.

Assuming that f.o.b. terminal market price reports come closer to meeting the needs of the country shipper than other types of market price information, can anything further be done for the individual producer in

the country? What John Jones wants most of all is a market report that shows prices paid producers for eggs in his part of the State. Can anything be done for him? Yes, under some conditions.

A new type of market news information inaugurated in Virginia in 1939 is a report showing receipts, gradings, and prices paid at country grading stations for eggs bought on the basis of U. S. grades. The new service has been developed in connection with the egg grading program that has been in operation in Virginia for a number of years under a Federal-State cooperative agreement.

In setting up this service, the State of Virginia has been divided into several marketing areas that are more or less distinct from a geographic standpoint. Though prices paid in all areas are largely influenced by prices at Washington, D. C., where most of the eggs are sold, prices vary according to location and competitive conditions. Local buyers operate independently, and prices paid producers for eggs of the several grades depend to a certain extent upon buyers' individual ideas of supply, demand, and upon their market outlets. The reports as summarized for release show prices by grades in each area, and combined receipts and gradings for all areas, including a breakdown according to color. The establishment of such a price reporting system on a Nation-wide basis, however, must wait until the complex problems of cooperation, grading, and industry acceptance are solved. In the meantime, f.o.b. terminal market price reports will be developed as far as practicable.

It should not be assumed from what has been said that f.o.b. price information is exactly suitable for every market. In studying the type of price information that is best suited to an individual market, it is important that the needs of both producers and distributors, as well as the various uses that are made of market information, be taken into consideration. Even after this is done, certain inevitable limitations are likely to be encountered in setting up a service. The type of service depends not only upon what <u>should</u> be done, but upon what <u>can</u> be done under existing conditions. For example, there is ample argument for reporting prices on the basis of recognized official grades; but this does not preclude the fact that it is impossible to report on this basis if such grades are not followed in buying and selling operations, or if trading is conducted on the basis of a loose system of commercial grades or no grades at all.

Any type of service depends upon industry cooperation, for the market news service is conducted on a voluntary basis. If dealers as a whole do not cooperate, there can be no market news reports. Relatively few dealers have this attitude and where such is the case, it is usually due to fear of divulging information that would work to the advantage of competitors. While this danger is probably overemphasized in the minds of the few who hold to such an idea, it is nevertheless a hurdle that the market reporter must clear before he can do his job adequately.

"HERE ARE TODAY'S MARKETS--"

By E. J. Rowell

Though the radio is primarily a form of entertainment in the city, it has a dual personality out in the country. The entertainment feature is extremely important in the farm home, of course, but the radio also means dollars and cents to the farmer by keeping him in touch with his market. Surveys have shown repeatedly that news, market information, and weather reports top the list when preferences of rural listeners are analyzed.

The Agricultural Marketing Service has just completed its own 1941 survey, aimed at getting a line on the scope of the market information provided by radio stations to rural people. Through questionnaires mailed early in January to the 839 stations then operating in the United States, the Service obtained answers to such questions as the following: How many stations broadcast agricultural market reports one or more times daily? What do the reports include? How long are the broadcasts? What time does the program go on the air? How do the stations get the information? The findings of this study will be included in the 1941 Directory of Market News Broadcasts, which will be ready for distribution about April 15.

As a preview to that publication, it can be stated that no less than 420 stations are broadcasting agricultural market news reports one or more times daily. This compares with 387 stations in 1940 and 345 in 1939. Back in 1922, when the radio market report was in its swaddling clothes, only 9 stations were presenting programs of this type.

To take up the important points covered by the 1941 survey, what do the reports include? If the entire field of market broadcasting is covered, the reports include information on prices, movement, and supplies of all the important farm commodities. This does not mean that every station presents such a complete report; probably none does. In the Middle West, market reports on livestock and grain predominate. In the South it is cotton that gets the most time, naturally, though more and more information pertaining to fruits and vegetables and livestock is going on the air in this section than ever before. In the Northeast, the interest centers primarily in fruits and vegetables and poultry and eggs.

Length of Program Varies

How long are the broadcasts? The length of the program may vary from 15 seconds to 30 minutes. But at least one station is devoting over 2 hours each day to market reports. The length of the broadcast is important because it is a good indication of the completeness of coverage. For example, if the report shows a 5-minute summary of the markets for fruits and vegetables, dairy and poultry products, grain, and livestock, it can be assumed that the broadcast, at best, covers only the highlights of trading in these commodities. But if the report shows a 10-minute

broadcast on livestock alone, it can be assumed that a rather complete report is presented. If the announcer speaks at the rate of 150 words per minute, a 10-minute broadcast would contain close to 1,500 words--and a lot can be said in a program of that length.

Uniform Broadcasting Time Important

What time does the program go on the air? This question cannot be answered satisfactorily for radio market news reports as a whole; they are on the air from early morning to late evening. The important points are whether they are on at an hour that serves the greatest number of listeners, and whether they go on the air at the same time every day. The reason for this emphasis on a uniform time for broadcasting is apparent at once. From habit, the radio audience knows exactly when its favorite comedian and its most popular quiz program comes on. But if the hour should vary a whole lot it is quite likely that many people would miss the programs. It is the same with market broadcasts.

Adhering to a uniform time for broadcasting market reports is not always a simple task. Though Federal law requires all radio stations to be licensed and to operate "in the public interest, convenience, and necessity," the American system of radio operation is largely based on the profit motive, and advertising is the principal source of station revenue. Thus, the job of the station manager involves a nice adjustment between giving listeners what they want in the way of nonrevenue programs while paying expenses and showing a profit for the owners.

Most stations cooperate splendidly with the Department of Agriculture in the dissemination of market reports and, on the whole, they make a conscientious effort to broadcast the reports at the same time day after day. Several stations have broadcast market reports at the same hour for more than 10 years, and dozens have broadcast for over 5 years without a change in time. This is an excellent showing in view of the program director's difficulties with the salesmen, who may try to allocate the market period to an account they have been working on for years.

Remote Control Most Effective

How do the stations obtain market information? The simplest and undoubtedly the most effective way of getting market reports on the air is through the use of remote control facilities. By this method, a microphone and the necessary amplifying equipment is installed in the Federal market news office and when it is time for the broadcast the market reporter simply steps to the microphone and tells his story of supplies, prices, and demand. This method leaves no question in the minds of the listeners as to the authenticity of the information and it allows the market reporter to use his time in the office to the fullest advantage. Such programs are carried by more than 25 stations, most of them from the livestock market news offices.

The market reporter frequently goes to the radio station. In some places this works about as well as remote control, particularly in cities where the distance between the market news office and the station is a matter of only a few blocks. Broadcasts by the official Government market reporters are by far the most popular because the reports are presented by men who are on the firing line of trading.

One of the big problems has been that of getting information to stations located some distance from the nearest market news office while the information still has the element of timeliness. It would cost the Department of Agriculture a tremendous sum annually to telephone or to telegraph to the stations all the market information that could be used. At the same time, most stations feel that they cannot afford to pay for messages to present a nonrevenue-producing public service program. The press associations are a way out of this dilemma. Today, the press associations' wires and printers are in nearly all of the radio stations, and the market reports they carry are a vital link in the chain from market to producer or consumer. During the past 3 years there has been a rapid increase in the number of stations subscribing to these news services; and paralleling this growth has been the increased volume and variety of market information carried.

Service Provided At Atlanta

Three years ago, for example, arrangements were made with the United Press to carry a brief summary from Atlanta, Ga., each afternoon to the association's clients in the Southeastern States. That service has expanded and the regional press and radio representative of the Agricultural Marketing Service at Atlanta now furnishes the United Press with a daily market summary, a daily southeastern hog market report, a daily summary of early trading at New York on Florida fruits and vegetables, and a daily summary of trading on the Atlanta fruit and vegetable market. In addition, there are periodic summaries of reports on crops such as cotton, cottonseed, and tobacco, and plans are under way to broadcast more information on livestock. Service to stations in these 10 States is also provided by the Associated Press and the International News Service. Similar regional distribution is provided through the press associations from Boston, New York, Chicago, and Kansas City. Many local market offices provide reports to the press associations.

For more than 25 years the Department of Agriculture has been collecting and disseminating market news as a service to help farmers market their products more efficieutly. Now, a further step has been taken; in many cities the information is being directed to the homemaker in order that she may buy more efficiently. Programs bearing the name "Federal Food Reporter," or some similar title, have been inaugurated in Cincinnati, Cleveland, Boston, Baltimore, Philadelphia, Chicago, Kansas City, San Francisco, and Oklahoma City, and will begin in Denver early in April. It is the purpose of these broadcasts to make available to the homemakers information on supplies of fresh fruits and

vegetables and other products, prices, and other interesting and helpful information.

The growing popularity of all kinds of market news broadcasts with the farmers is indicated by the steady increase in the number of stations carrying such reports. Commenting on this growth, William E. Drips, Director of Agriculture for the National Broadcasting Company, has this to say: "Radio is a 'natural' for rural people. With it comes additional facilities for collecting market news and eventually the means to spread the information. Today, any farmer marketing agricultural products can get just as reliable and up-to-the-minute news as any city dealer, broker, or commission merchant."

That about sums up the case for market broadcasts.

--- 0 ---

SOYBEANS RECOMMENDED FOR HUMAN CONSUMPTION

Research at the Alabama Experiment Station shows that at least six varieties of soybeans cook readily and are adapted to southern conditions. They are Rokusun, Delsta, Tokio, Imperial (early, Kelnoshat) and No. 85560 (medium early).

Commenting upon these varieties, W. D. Salmon, nutritionist, says: "They are delicious when cooked either in the green stage or as mature dry beans. They have a higher protein content than cowpeas and the protein is of better quality. They also have significantly more vitamin A than do cowpeas which are widely used as a food throughout the South. The soybeans yield better and are less subject to insect damage.

"It is apparent, therefore, that there would be several advantages in replacing part of the cowpeas now used in southern diets with soybeans. This would be particularly true in all diets where there are inadequate amounts of milk and meat. Soybeans contain considerable calcium and phosphorous and are a good source of available iron which is deficient in many southern diets."

--- 0 ---

A proposed revision of the official grain standards of the United States for soybeans was announced recently by the Agricultural Marketing Service. The principal changes involve moisture content and split soybeans as grading factors and the adoption of a dockage system. The proposal is made at this time so that interested persons may have an opportunity to study the suggested changes prior to public conferences to be held in the principal producing and marketing areas during May. The soybean standards now in use have been in effect under the Grain Standards Act since November 20, 1940, and for 5 years prior to that time were effective as permissive standards.

ON THE MARKETING FRONT

The following items have been issued recently by Federal and State agencies. They are presented here in view of their relation to the broad field of farm-product marketing.

--Editor

SUPPLY OF BOX CARS FOR THIS YEAR'S CROPS REPORTED AMPLE

A special report that the estimated supply of serviceable box cars will be "ample" for this year's movement of agricultural commodities has been made by the Bureau of Agricultural Economics to the Advisory Commission to the Council of National Defense. Transportation needs of grain were given special attention because grain makes heavy demands on railroad facilities during harvest. Moreover the same box car equipment required for grain is used for most other agricultural commodities except fruits, vegetables, and livestock.

Transport requirements for grain rise sharply during harvest with the heavy movement in July, August, and September. There is an extraordinary demand for cars during this period. Grain storage space at terminals is also in heavy demand. Unless storage is available at destination, a plentiful supply of box cars for transporting the grain will not assure its movement, the Bureau said. Transportation facilities would become seriously congested if the railroads permitted cars to be loaded with no assurance of unloading space at destination, and some increase in storage facilities may be necessary.

--- 0 ---

IMPROVED MARKETS INCREASING SALES

Improved quality, better processing and packing, and more attractive buildings, tables, grounds, and signs are being used to increase sales on curb markets throughout Alabama, a report from the Alabama State Extension Service indicates. That such markets are proving popular is indicated by the fact that Alabama ruralists sell $500,000 worth of products on curb markets annually. Best all-time sellers are eggs, poultry, seasonable vegetables, and fruits. Fresh meats sell well during the winter months. Many Alabama families sell from $1,000 to $2,000 worth of good-quality products annually.

--- 0 ---

The 1940-41 cotton crop now being harvested in the State of Sao Paulo, which produces from 90 to 95 percent of the Southern Brazilian crop, is expected to total 1,660,000 to 1,750,000 bales.

RACE HAS BEARING UPON POULTRY-BUYING HABITS

Race, or nationality, is an important influence on the buying habits of poultry consumers, according to a new bulletin, "Problems Affecting Poultry Marketing," published by the University of California College of Agriculture. Professors J. M. Tinley and E. C. Voorhies, authors of the bulletin, point out that this influence is regarded as important in the San Francisco and Los Angeles poultry markets.

On these markets, they say, the trade finds that persons of Negro extraction and members of the Jewish faith are the largest per-capita consumers of poultry. The Jewish holidays always call for an increase in poultry consumption. Mexicans also are relatively heavy users of poultry along with consumers of Mediterranean stock. Persons of Nordic extraction, the bulletin says, seem to prefer other types of meat for their celebrations and important meals.

--- 0 ---

ORGANIZED GROUPS MAY APPLY FOR FREE CLASSING AFTER COTTON IS PLANTED, UNTIL AUGUST 1-15

Applications for free classification and market news services for 1941 cotton may be made by any organized improvement groups as soon as its members have planted their cotton. However, the application must be filed with the Agricultural Marketing Service not later than August 1, for groups in Florida, Georgia, South Carolina, Alabama, Mississippi, Arkansas, Louisiana, and the counties of Texas lying entirely or for the most part east of the 100th Meridian.

To allow for later planting in other areas, the final date for filing is August 15 for groups in North Carolina, Virginia, Tennessee, Kentucky, Missouri. Oklahoma, and all counties in Texas lying entirely or for the most part west of the 100th Meridian, as well as New Mexico, Arizona, and California.

--- 0 ---

Additional improvement in consumer demand for farm products is indicated for the next few months, but gains from now on are likely to be more gradual than during the last half of 1940, the Bureau of Agricultural Economics reported recently.

--- 0 ---

At 103 percent of the 1910-14 average on March 15, the index of prices received by farmers was 6 points above the level of a year earlier. Local market prices for all major groups of farm commodities except grains and cotton were higher than a year ago.

U.S.D.A. ANNOUNCES PROGRAM TO INCREASE SUPPLIES OF SOME FOODS

The U. S. Department of Agriculture announced April 3 an expansion of the Ever-Normal Granary Program into a food program designed to assure ample supplies for the United States, Great Britain, and other nations resisting aggression.

Under the expanded program, the production of pork, dairy products, eggs, and poultry will be stimulated through the support of prices over the period ending June 30, 1943, at levels remunerative to producers. Other phases of the program include:

1. Continuation of the existing corn loan program for 1941 and 1942.
2. Continuation of the policy of making loan corn available to producers at the loan rate plus certain carrying charges.
3. Allowing producers in the commercial corn producing area to increase corn acreage up to their usual acreage. These producers would not receive corn payments.
4. No corn marketing quotas for the 1941 crop.

Assuming continuation of existing price relationships and taking seasonal price variations into account, the Department will make purchases in the open market to support long term prices (Chicago basis) at levels approximately as follows: Hogs cwt., $9; Dairy products (basis of butter lb.), 31 cents; Chickens lb., 15 cents; Eggs doz., 22 cents. It was pointed out that these prices would be subject to the customary commercial differentials for market grades and qualities.

The Government's purchases in the open market will be used to accumulate reserve supplies of food. These supplies can be used for transfer to the British and other countries under the provisions of the Lend-Lease Act; for release upon the market in case of unwarranted speculative price increases; to meet requests from the Red Cross for shipment to war refugee areas and for direct distribution through school lunch programs or through State welfare departments to public aid families. Arrangements are also being made for a full and complete coordination of these purchases with those being made for our armed forces.

Farmers will be urged to: (a) increase pork production by feeding hogs to heavier weights and by increasing farrowing of pigs; (b) increase dairy production by feeding cows more grain and by milking more cows; (c) encourage additional production of poultry by increasing the size of flocks.

Although producers in the commercial corn areas will not receive corn payments or be eligible for corn loans if they plant up to their usual acreage, there will be no reduction in other payments if the usual acreage of corn is not exceeded.

"Obviously," Secretary of Agriculture Claude R. Wickard said, "the comparatively few producers in commercial corn areas who wish to plant up to their usual acreage of corn in order to have feed for increased dairy, poultry, and livestock production will wish, and should have at this time, assurances that there will be no corn marketing quotas on the 1941 crop. Because of the ample feed supplies on hand in the country, however, most producers should plant within their corn allotments.

"It is time," Secretary Wickard said, "to begin converting our ever-normal granary supplies into ever-normal food supplies.

"We have conducted intensive studies of the needs of the United States, England, and other democracies. We believe we have a sufficient supply of most agricultural commodities. Larger supplies of some pork, dairy, and poultry products will be needed, however, in the United States, in the British Isles, and in Europe for several years, irrespective of the duration of the war. In Europe foundation herds and flocks are being rapidly depleted. Even in normal times, many Americans need more of these protective food products. Because of the Ever-Normal Granary, feed supplies are abundant and farmers will only be too glad to increase their production of pork, dairy products, poultry, and eggs if prices make it profitable to grow more of these foods. Consumers should realize that fair returns to farmers for the food products mentioned are the best assurance, not only of ample supplies, but, in the long run, of fair prices to consumers."

The plan to increase food production is said to emphasize that national farm programs are adjustment programs in every sense of the word. "Since these programs began," Secretary Wickard said, "we have pointed out that they could be used to increase production and that farmers would like nothing better than an opportunity to prove that fact.

"Furthermore, the soil conservation that has taken place during the past eight years has put farmers in a position to produce more and to produce it without the soil destruction that took place during the first World War.... This is not the time to waste soil fertility and farmers' efforts by producing without regard to actual requirements. It is only common sense to produce more of the commodities we need and to hold down on production of the commodities we don't need and aren't likely to need.

"For example, we are proceeding with plans for a marketing quota referendum on wheat May 31.... For the protection of growers, we need to take steps that will reduce the production of wheat just as we need to increase the production of pork, dairy products, and some other foods. Wheat can almost immediately be converted into bread and other foods but substantial increases in meat supplies must be planned in advance. Generally speaking, the supply situation of wheat is the situation of cotton, tobacco, and some minor commodities and the Department plans to do what it can to prevent additions to burdensome surpluses of these crops."

-PERTAINING TO MARKETING-

The following publications, issued recently, may be obtained upon request from:

The Agricultural Marketing Service:

Mill Requirements in Relation to Cotton-Quality Improvement... By John W. Wright and Fred Taylor (See p. 6)

Commercial Hatchery Production, 1938-1940...By B.H. Bennett and Robert F. Moore

Driven-in Receipts of Livestock...Compiled under the direction of Edna M. Jordan

State Seed Legislation in its Relation to the Problem of Interstate Trade Barriers...By W.A. Wheeler

Minnesota Corn, Estimate Planted Acreage, Yield, and Production, 1928-1939, By Counties... By Paul H. Kirk and Roy A. Bodin

A Graphic Summary of Iowa Corn and Oats Yields by Townships, 1930-39...By Leslie M. Carl and Robert Overton

Motortruck Receipts of Fresh Fruits and Vegetables at San Francisco, by Commodities and by Counties of Origin, 1940

Standards:

Proposed Revision of the U.S. Grain Standards for Soybeans
Tentative U.S. Standards for Grades of Canned Blended Orange Juice and Grapefruit Juice
U.S. Standards for Asparagus (fresh)
U.S. Standards for Slicing Cucumbers

Market Summaries, 1940:

Marketing California Asparagus
Marketing the Michigan Apple Crop
Marketing the Michigan Grape Crop
Marketing the Michigan Pear Crop

The Bureau of Agricultural Economics:

Consumption of Agricultural Products...By Elna Anderson (See p. 5)
Agriculture's Requirements for Transportation in 1941...By E.O. Malott and William E.F. Conrad